

## Message Text

CONFIDENTIAL

PAGE 01 KABUL 08318 231845Z

45

ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 EB-07 /077 W  
----- 009245

R 220915Z DEC 75 ZDKO  
FM AMEMBASSY KABUL  
TO SECSTATE WASHDC 5505

C O N F I D E N T I A L KABUL 8318

E.O. 11652: GDS

TAGS: EFIN, ECRP, AF

SUBJ: BALANCE OF PAYMENTS REVIEW

REF: A. STATE 275435 B. CERP 0102

1. THIS JOINT USAID/EMBASSY MESSAGE TO RESPONSE TO REFTEL, FOR  
DISTRIBUTION TO AID/W AND STATE.

2. ALL MONETARY VALUES IN RESPONSE ARE IN MILLIONS OF DOLLARS.  
NOTE THAT AFGHAN YEARS 1353, 1354 AND 1355 ARE USED AS DATE  
PERIODS FOR CY 1974 AND 1976 RESPECTIVELY. AFGHAN YEAR BEGINS  
MARCH 21.

3. RESPONSE TO REFTEL PARA 3.

(A) EXPORTS,?*9?	1974	1975	1976
TOTAL	210	225	255
FRUITS, NUTS	84	70	75
NATURAL GAS	26	45	50
RAW COTTON	32	32	42
(B) IMPORTS, CIF			
TOTAL	-225	-280	-310
PETROLEUM	-12	-27	-31
FOOD GRAINS	-2	-2	-2
(C) NET SERVICES	-4	-13	-15
DEBT SERVICES (INTEREST)	-14	-15	-16
(D) NET TRANSFERS (SEE E BELOW)			
(E) OFFICIAL LOANS (ALL CONCESSIONAL)			
GROSS	62	87	100
OECD	15	15	15

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KABUL 08318 231845Z

OPEC            3    7    20

MULTILATERAL	15	25	25
OTHER	29	40	40
GRANT COMPONENT	13	16	19
NET CAPITAL	18	55	64
PRINCIPAL REPAYMENTS	-31	16	-17
(F) PRIVATE CAPITAL IS NEGLIGIBLE			
(G) BALANCE OF PAYMENTS (SURPLUS)	12	3	13

4. (A) GNP, CURRENT DOLLARS	1055	1185	1330
(B) RATE OF INFLATION (PERCENT)	14	7	7
(C) GNP REAL GROTH RATE	2.4	2.4	5.0
(D) TOTAL EXTERNAL DEBT			
PULBIC AND PUBLICLY GUARANTEED	730	785	849
PRIVATE	..	..	..
(E) DEBT SERVICING			
PUBLIC	45	31	33
PRINCIPAL	31	16	17
INTEREST	14	15	16
PRIVATE	..	..	..

5. EXCHANGE RATE AND PRICE ASSUMPTIONS. A FREE RATE OF APPROXIMATELY THE CURRENT LEVEL OF AFS 75 PER DOLLAR IS ASSUMED. IT IS ASSUMED THAT MOST PRICES WILL RISE SOME IN 1976 FROM CURRENT LEVELS. AN FOB PRICE OF 1200 DOLLARS PER MT IS ASSUMED FOR RAW COTTON IN 1976, A 5 PERCENT GROWTH IN PRICE OF FRUITS AND NUTS; A 10 PERCENT INCRESE IN PRICE OF NATURAL GAS EXPORTS AND SAME INCREASE IN PRICE OF PETROLEUM IMPORTS, REFLECTING 10 PERCENT OPEC PRICE INCREASE. FOR REMAING EXPORTS, MAJOR ITEMS BEING CARPETS, KARAKUL SKINS, AND RAW WOOL, A (WEIGHTED)PRICE INCREASE OF 8 PERCENT IS ASSUMED. THE ASSUMED PRICE RECOVERY FOR MOST MAJOR EXPORT ITEMS HAS ALREADY RECENTLY BEGUN. PHOSPHATIC FERTILIZER, THE ONLY FERTILIZER THAT AFGHANISTAN NOW IMPORTS IS DOWN SHARPLY FROM A YEAR AGO. SUGAR IS A MAJOR IMPORT AND ITS PRICE IS ALSO DOWN VERY SHARPLY FROM A YEAR AGO. A CIF PRICE OF 550 DOLLARS PER MT IS ASSUMED FOR 1976. SAVINGS ON SUGAR IMPORTS IN 1976, DUE TO A DECREASE IN PRICE FROM THE 1975 LEVEL, ARE ESTIMATED AT CLOSE TO 15 MILLION DOLLARS. EVEN WITH THIS IMPORTANT PRICE DECREASE, OVERALL PRICE OF COMMERCIAL IMPORTS IS PROJECTED TO INCREASE ALMOST 5 PERCENT.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KABUL 08318 231845Z

6. ADJUSTMENTN POLICIES. A NUMBER OF ADJUSTMENT POLICIES HAVE BEEN IMPLEMENTED. THESE INCLUDE INCREASE IN RETAIL OF GASOLINE BY 6.25 PERCENT AND DIESEL FUEL BY 33 PERCENT AT BEGINNING OF CURRANT AFGHAN YEAR (ALL SUCH FUEL IS SOLD THROUGH STATE INTER-PRISES ). SUGAR PRICE IS ALSO SET BY THE GOVERNMENT. RETAIL PRICE OF SUGAR WAS INCREASED BY 25 PERCENT BUT REMAINS BELOW IMPORT COSTS. DUTIES ON IMPORTED AUTOS, USED AND NEW, WERE INCREASED SIGNIFICANTLY THIS YEAR. (AFGHANISTAN PRODUCES NO AUTOS. IT ALSO

IMPORTS ALL ITS GASOLINE, DIESEL OIL AND KEROSENE.) A RATHER LENGTHY LIST OF "LUXURY" ITEMS WERE IDENTIFIED AND THEIR IMPORTATION EITHER PROHIBITED OR HIGHLY TAXED. IT HAS INCREASED EFFORTS TO OBTAIN CREDIT AND GRANT FINANCING OF IMPORTS AND HAS ATTEMPTED TO INSULATE, TO SOME EXTENT, THE AFGHAN ECONOMY FROM WORLD INFLATION. FOR EXAMPLE, GOVERNMENT SUBSIDIZED SUGAR CONSUMPTION THROUGH USE OF TAX RECEIPTS FROM TAX LEVIED ON EXPORT COMMODITIES THOSE PRICES WERE EXTRAORDINARILY HIGH IN 1974. IT IS ATTEMPTING TO INCREASE EXPORTS THROUGH AN EXPORT PROMOTION PROGRAM. GROWTH IN MONEY SUPPLY IN 1974 WAS ABOUT 9 PERCENT, A LEVEL CONSIDERED

K APPROPRIATE, GIVEN FACT NON-MONETIZED SECTOR UNDERGOING MONETIZATION. AN AGREEMENT WAS REACHED WITH IMF THIS SUMMER TO HOLD GROWTH IN DOMESTIC LIQUIDITY TO 7.5 PERCENT IN 1975. IN 1974 (1353), GOA BUDGET WAS IN SURPLUS NOT IN DEFICIT.

7. IMPORTS OF FOOD GRAINS, AS SHOWN IN 3(B) ABOVE, EXPECTED TO BE INSIGNIFICANT IN 1975 AND 1976. MOST SUCH IMPORTS WILL BE MADE UNDER PROGRAMS LIKE WFP. PROJECTION ASSUMES NORMAL WEATHER CONDITIONS.

8. USAID AND DEPARTMENT MAY ALSO WISH TO DISCUSS AFGHANISTAN'S PAYMENTS POSITION PROSPECTS WITH IMF WHICH HAS TEAM JUST RETURNED TO WASHINGTON FROM AFGHANISTAN VISITATION. PURPOSE OF VISIT WAS TO ASSESS COUNTRY'S ELIGIBILITY FOR IMF OIL FACILITIES. WE WISH TO STRESS THAT ALL FIGURES IN 3(E) ABOVE EXCEPT "PRINCIPAL REPAYMENTS" ARE SOFT, MAYBE VERY SOFT.

9. THE FIGURES SHOWN FOR OPEC LOANS AND GRANTS IN 3(E) ABOVE ARE ALSO VERY SOFT. FOR IRANIAN AID, IN PARTICULAR, INFORMATION ON DISBURSEMENTS IS LIKELY TO LAG ACTUAL DISBURSEMENTS, AND COMMITMENTS ARE ANNOUNCED IN VARYING FORMS, GIVING RISE TO THE POSSIBILITY OF EITHER DOUBLE, OR UNDER-COUNTING. THE OPEC

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KABUL 08318 231845Z

FIGURES REPRESENT A BEST ESTIMATE OF NET DISBURSEMENTS TO D'AFGHANISTAN BANK OF OPEC-PROVIDED MONEY, AND MAY BE LOW. IRAN ALONE HAS MADE COMMITMENTS WHICH TOTAL OVER 730 MILLION DOLLARS, WITH ADDITIONAL PRE-COMMITMENTS OF UP TO ONE BILLION DOLLARS. DISBURSEMENTS FROM IRAN IN 1975 (1354) ARE REPORTED BY THE PRESS TO BE 10 MILLION DOLLARS, WITH EXPECTED DISBURSEMENTS BY THE END OF THE AFGHAN YEAR TO EXCEED 32 MILLION DOLLARS. HOWEVER, THESE ARE DISBURSEMENTS INTO IRANIAN CENTRAL BANK ACCOUNTS, AND WE FEEL THE GOA WILL BE UNABLE TO DRAW ON THESE ACCOUNTS AT A RATE IN EXCESS OF THAT SHOWN IN 3(E) ABOVE. SIMILARLY, SAUDI ARABIA AND IRAQ HAVE MADE "DISBURSEMENTS," OF 55 MILLION DOLLARS AND 10 MILLION DOLLARS, RESPECTIVELY. BUT D'AFGHANSTAN BANK SHOWS ONLY 9 MILLION DOLLARS HAVE BEEN ACTUALLY TRANSFERRED. KUWAIT HAS EXPRESSED INTEREST IN FINANCING A NUMBER OF PROJECTS, BUT HAS NOT ANNOUNCED ANY ADVANCE DOLLAR COMMITMENT.

10. COMMENT: THIS IMPORTANCE OF OPEC AID TO AFGHANISTAN CANNOT BE OVERSTATED IN TERMS OF AFGHAN OFFICIAL THING, ON THE BASIS OF OPEC COMMITMENTS, THE GOA HAS ITSELF MADE NUMEROUS INTERNAL COMMITMENTS TO PROJECTS IN EVERY PROVINCE OF AFGHANISTAN, AND HAS USED THE PROSPECT OF THIS AID AS THE BAIS FOR INDUSTRIAL, AGRICULTURAL, AND INFRASTRUCTURE DEVELOPMENT PLANING. THE NEW OPEC MONEY HAS OVERSHADOWED THE AID OF TRADITIONAL DONORS, INCLUDING THE USSR, WHICH IN FEBRUARY. 1975, SIGNED THE LARGEST ASSISTANCE AGREEMENT IN THE BILATERAL HISTORY OF THE TWO COUNTRIES. AFGHANISTAN IS, AS A RESULT OF OPEC COMMITMENTS, LOOKING MORE ESPECIALLY IN ITS TRADE DEVELOPMENT PLANS TOWARDS THE OPEC COUNTRIES AND THE HARD-CURRENCY MARKETS OF THE WEST, AND A SHARP DECLINE IN PREVIOUS EMPHASIS ON BILATERAL TRADE AGREEMENTS. THIS TREND IS NOT WITHOUT ITS DANGERS. IF THESE OPEC AID COMMITMENTS FAIL TO MATERIALIZE .. OR IF IMPLEMENTATION OF OPEC FINANCED PROJECTS PROCEEDS TOO SLOWLY .. SERIOUS INTERNAL DISCONTENT COULD BE GENERATED, REFLECTING ADVERSELY NOT ONLY ON THE OPEC DONORS BUTUPON GOA AS WELL.

ELIOT

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC REPORTS, BALANCE OF PAYMENTS DATA, CERP 0102  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 DEC 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** SmithRJ  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975KABUL08318  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750445-0772  
**From:** KABUL  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19751219/aaaaaqva.tel  
**Line Count:** 189  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION AID  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 275435  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** SmithRJ  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 29 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <29 JUL 2003 by ElyME>; APPROVED <28 NOV 2003 by SmithRJ>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BALANCE OF PAYMENTS REVIEW  
**TAGS:** EFIN, ECRP, AF  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006